

STATEMENT OF REPRESENTATIVE ERNIE FLETCHER
BANKING COMMITTEE HEARING ON
THE INTERNET GAMBLING FUNDING PROHIBITION ACT

JUNE 20, 2000

Thank you Mr. Chairman and members of the Subcommittee for giving me the opportunity to testify before you this morning. I appreciate your willingness to hold this hearing to discuss an issue that is critically important to my constituents in Kentucky and all of America.

The Internet knows no bounds. The World Wide Web can reach into every home, college campus, and community, making it difficult to enforce federal and state laws related to gambling. This use of this unrestricted medium for gambling has turned prohibitions and regulations governing gaming upside down. The result has been an ever increasing amount of Internet wagering by unlicensed, unregulated, and in many cases foreign operators. As we work to address the issue of criminal Internet gambling activities in the United States, however, we need to make sure legitimate, licensed and regulated gaming operations--such as pari-mutuel horse wagering—are not negatively impacted.

H.R. 4419, the Internet Gambling Funding Prohibition Act, will be extremely effective in combating illegal gambling by prohibiting the use of credit, electronic fund transfers, and checks in Internet gambling. This language would make it extremely difficult to transfer funds from the United States to foreign operators, a significant source of illegal and unregulated Internet gambling activity.

Unfortunately, the language as it stands would have far-reaching consequences beyond what I believe was contemplated by its authors. My concern is that the current language would also prohibit wagering by any form other than cash for currently legal and regulated forms of gambling, especially pari-mutuel horseracing. The horseracing industry would be unable to transact simulcast wagering and account wagering electronically, severely limiting ongoing activities. In essence this legislation would prohibit activities that are lawful under existing federal and state laws.

Pari-mutuel horseracing is one of the oldest and most well-regulated forms of state sanctioned gambling in this country. The Interstate Horseracing Act of 1978 gave state regulatory authorities, racetracks and horsemen the ability to control the practice of off-track interstate wagering. Congress specifically recognized that "pari-mutuel horseracing is a significant industry that provides substantial revenue to the States" and that "properly regulated and properly

conducted interstate off-track betting may contribute substantial benefits to the states and the horseracing industry.”

Currently, 43 states allow pari-mutuel wagering on horseracing that is dependent on computers to transfer wagering information between regulated racetracks, off-track facilities, satellite wagering facilities, wagering hubs and homes. At the end of the day accounts must be settled, usually by check or electronic transfers. Furthermore, the racing industry is planning to use emerging E-commerce technologies for automated computer networks for wagering systems as well as payment systems. All of these activities are regulated by the states through the Interstate Horseracing Act, yet H.R. 4419 would criminalize this state-sanctioned enterprise, providing the same prohibition and punishment afforded an offshore, illegal, unregulated, virtual gaming parlor.

Pari-mutuel horse racing is vital to the economy of my district in Central Kentucky. Those of you who have traveled through the Bluegrass know that this is horse country with breeding farms, training facilities and racetracks that hold some of the nation’s most prestigious horse races. Horseracing and the agribusiness it supports, generates \$3.4 billion to Kentucky’s economy and supports 42,400 full time jobs. Nationwide the industry has a \$34 billion impact on the U.S. economy and provides 338,500 full time jobs. Overall, pari-mutuel wagering generates 75 percent of the industry’s revenue. It is estimated that the industry produces annual revenue of \$500 million to the governments in which pari-mutuel wagering is permitted. Severely limiting the funding mechanisms of pari-mutuel wagering, as this legislation proposes, would paralyze the industry and be detrimental to Kentucky’s economy and the economy of the nation as a whole.

In conclusion, let me applaud you, Mr. Chairman, for addressing the problem of illegal and unregulated Internet gambling. I support restricting the activities of these unlicensed, unregulated or foreign operations. However, we must not restrict practices that are lawful under existing federal and state laws. I believe that state governments should continue to regulate state-sanctioned gaming and that the legislation before you today should be amended to take into account the ongoing activities by the pari-mutuel horseracing industry. I yield back my time.